

**FINANCIAL OVERSIGHT AND MANAGEMENT BOARD
FOR PUERTO RICO**



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BY ELECTRONIC MAIL

May 19, 2020

The Honorable Wanda Vázquez Garced
Governor
Commonwealth of Puerto Rico

Dear Governor Vázquez Garced:

We have received your proposal to make available an additional ~\$349 million to issue incentive checks of up to \$500 to private sector employees and retirees. In this spirit we agree that direct cash subsidies represent a viable mechanism to maintain economic activity, particularly in the current unprecedented environment due to the acute cessation of activity as a result of stay-at-home orders. In parallel we recognize the both the Government of Puerto Rico and the U.S. Federal Government have already taken swift action to buoy household finances via several mechanisms including incremental unemployment support and the Economic Impact Payments Plan, both of which are already disbursing funds to the people of Puerto Rico.

Notwithstanding, it is critical to recognize that there are significant segments of the Puerto Rican population that fall into the broad category described as the “vulnerable” population which includes the homeless, low-income, food insecure, and disabled individuals, both adult and children. Additionally, there is a significant “informal economy” in Puerto Rico that falls outside the scope of existing programs. When the economic engine comes to a grinding halt due to a cessation of daily activities, funds distributed into the “formal” workforce (as is suggested by this new stimulus program) are not passed on to the informal part of the economy. Further, while we recognize a number of these individuals do receive public services support under other programs (e.g. OASDI, NAP grants, etc.), there remains a significant portion of the population that has been largely left exposed during this crisis.

To roughly estimate numbers, the Puerto Rico Emergency Measures Support Package provided 218,000 individuals with direct support via the self-employed and government employee bonus programs. Furthermore, approximately 300,000 individuals are currently enrolled in the expanded unemployment programs. Finally, the U.S. Treasury has funded around \$3 billion under the Puerto Rico EIP Plan (“Economic Impact Payment Plan”) which will support these same individuals plus

an additional ~2,300,000 residents of Puerto Rico when fully distributed. Assuming another 80,000 are ineligible primarily for income threshold reasons, we estimate 150,000 – 250,000 Puerto Ricans fall outside of any Federal or local stimulus program approved to date. Thus, establishing a stimulus program to help these vulnerable individuals could cost approximately \$150 to \$250 million to the Government, assuming a \$1,000 support level per individual.

Given the significant support provided to the “formal” economy as described above, we believe the current situation represents an ideal opportunity to focus urgent incremental efforts on the people who need it the most. Addressing the “vulnerable,” as described above, as well as those with “accessibility” issues due to lack of internet, transportation, disability or other personal factors preventing access should represent the key target group if additional funding is to be made available, as proposed by the Government of Puerto Rico.

Source of Funding

You have suggested that the funding for additional stimulus should come from reimbursement of \$500 million in the first Puerto Rico Emergency Measures Support Package. In principal, we agree that leveraging these funds to reach the “vulnerable” is a viable approach. Based on our initial review of the U.S. Treasury guidelines, we believe around \$335 million could be eligible for reimbursement. We are open to reassessing this figure as guidance becomes clear, but at this stage we envision a maximum of \$335 million of the \$500 million being made available for such a program, including the administrative costs of developing a distribution program together with the non-profit organizations community (NGO).

Mechanism of Distribution

Accessing and servicing the “vulnerable” and “informally employed” population is best achieved by sharing the outreach execution with the NGO community in Puerto Rico. The population clusters are often purposely disengaged with Government and/or are missed not for a lack of trying. Engaging with an established group of NGO’s with existing network and infrastructure, then further overlaying a transparent framework grounded in partnership, regular reporting, and accountability will best serve the Government and the people of Puerto Rico. We have been made aware of a proposal from the NGO community that could potentially serve as a framework for distribution of necessary support to this “vulnerable” segment of the population. If you agree, the next step would be for your Government to craft and present a specific proposal to the Oversight Board for distribution of these funds to the “vulnerable” segment of the population via the NGO network and infrastructure.

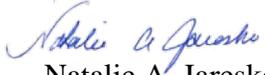
In closing, we are aligned with your commitment to fully utilize available funds to help the people of Puerto Rico. Although, rather than providing further support to parts of the population who are being supported through other Federal and local stimulus packages, we suggest a solution that helps provide an equitable solution to a broader spectrum of our population. The Oversight Board firmly believes this represents the right time and opportunity to focus our efforts on those in our population who are the most vulnerable and likely suffering independently from this unique challenge. We look forward to your engagement on this important initiative.

Honorable Wanda Vázquez Garced

May 19, 2020

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Sincerely,



Natalie A. Jaresko

CC: Mr. Omar Marrero Díaz